# HLABISA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS




FOR THE YEAR

ENDED 30 JUNE 2009

## REPORT OF THE AUDITOR GENERAL

The financial statements have not yet been audited. The report of the Auditor-General will be included when their audit has been completed.

# HLABISA LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009


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## GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE
Councillor B. Ntombela
Councillor V.M. Gumede
Councillor M.W. Khumalo
Councillor G.R. Mchunu
Councillor H. Mavimbela
Councillor H.T. Nkosi
Councillor M.A. Ntombela

| | |
|---|---|
| SPEAKER OF COUNCIL | Cllr Z.E. Nyawo |
| TOTAL NUMBER OF COUNCILLORS | 37 |
| GRADING OF LOCAL AUTHORITY | Grade 2 |
| AUDITORS | Auditor-General |
| BANKERS | ABSA-Public Sector, Newcastle<br>FNB-Public Sector, Mtubatuba |
| REGISTERED OFFICE : Physical Address<br>Municipal Building<br>4/62 Masson Street<br>Hlabisa | Postal Address<br>P.O.Box 387<br>Hlabisa<br>3937 |
| MUNICIPAL MANANGER | T.V. Mkhize |
| CHIEF FINANCIAL OFFICER | B.M. Thusi |

THE HLABISA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

# REPORT FROM THE AUDITOR-GENERAL

The financial statements have not yet been audited.

This will be included once received after audit.

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 6 to 32 were approved by the Municipal Manager on the 31 August 2009 and will be presented to next ordinary council for adoption.

| | |
|---|---|
| …….. | ..... |
| T.V.Mkhize | B.M. Thusi |
| Municipal Manager | Chief Financial Officer |
| STD, B Paed, B Ed, | CTFA (ICB), Dip Bookkeeping, CPMD, |
| Municipal Manager's Certificate | CTT(SAIT), Cerificate in Management |

## FOREWORD BY THE HONOURABLE MAYOR

Herewith are the Annual Financial Statements for the year ended 30 June 2009.

The financials show that the municipality has achieved a surplus during the current financial year. This is pleasing, however we will endeavour during the next financial year to achieve a better cash flow position.

The budget for the 2009/2010 financial year has been submitted to the National Treasury for approval.

The emphasis will remain on maintaining sound financial control to ensure that spending is properly managed.

My thanks go to the Municipal Manager and his staff and my fellow councillors for the hard work and co-operation during the year and the atmosphere in which I have been able to perform my duties.

I believe that with the dedication of everyone at council our work will go a long way to achieving gratification of the communities within our Municipal boundary.

.....

The Honourable Mayor
Councillor B. Ntombela

# HLABISA LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## CHIEF FINANCIAL OFFICER'S REPORT

BACKGROUND

The HLABISA Municipality is a grade two municipality within the Umkhanyakude District Municipality. It covers the major area of Zululand stretching out to the Swaziland Border.

CHALLENGES

The municipality has been under extremely challenging conditions. It has to address challenges of Infrastructure , Tourism, Local economic development, poverty, MFMA implementation and getting other sources of revenue. The municipality has achieved some objectives such as a performance management system but there is still long way to go.

GENERAL

1. OPERATING RESULTS

| | Actual 2009 R | Actual 2008 R | Variance % | Budget 2009 R | Variance % |
|---|---|---|---|---|---|
| Revenue | 45 639 241 | 31 222 755 | -32% | 40 603 652 | 77% |
| Total Expenditure | 45 053 919 | 33 163 467 | -26% | 40 603 652 | 82% |
| Salaries, wages and allowances | 14 911 754 | 13 273 564 | -11% | 17 511 789 | 76% |
| General expenses | 14 860 934 | 9 855 408 | -34% | 10 534 682 | 94% |
| Repairs and maintenance | 472 749 | 181 084 | -62% | 341 300 | 53% |
| Capital charges | 0 | 0 | 0% | 0 | 0% |
| Contributions to fixed assets | 756 444 | 351 459 | -54% | 11 494 920 | 3% |
| Contributions | 14 052 039 | 9 501 952 | -32% | 720 961 | 0% |
| Net Surplus / (Deficit) | 585 322 | -1 940 712 | | 0 | |

2. ACCUMULATED DEFICIT

| | R |
|---|---|
| Current year deficit in the balance sheet | 11 688 270 |
| Prior year deficit | 9 365 117 |

# HLABISA LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### CHIEF FINANCIAL OFFICER'S REPORT

*.....continued*

3. OVERALL CASH POSITION

| | 2009 R | 2008 R |
|---|---|---|
| Council's investments at local financial institutions of | 5 093 252 | 10 067 621 |
| The net cash book balance is in overdraft | 779 406 | |

4. ACCOUNTS RECEIVABLE

| | 2009 R | 2008 R |
|---|---|---|
| The value of debtors as per the balance sheet | 1 670 154 | 6 544 848 |

5. CAPITAL AND FINANCING

No loans were taken out during the current financial year.

6. INVESTMENTS

| | 2009 R |
|---|---|
| Investment as per the balance sheet | 5 093 252 |

7. FUNDS AND RESERVES

There has been no change to the funds and reserves other than the 3% Contribution to the fund by the by the Municipality during the current year.

8. POST BALANCE SHEET EVENTS

No events subsequent to balance sheet occurred, that required a note in the financial statements or amendment to the amounts disclosed on the trial balance.

## CHIEF FINANCIAL OFFICER'S REPORT

*.....continued*

9. FIXED ASSETS

*The table below explains the movement in fixed assets from the prior to the current year :*

| Cost of Fixed Assets | R | | |
|---|---|---|---|
| | 2008 | 2009 | Movement |
| Civic Buildings | 22 290 301 | 18 585 332 | -3 704 969 |
| Office Equipment | 790 267 | 816 376 | 26 109 |
| Office Furniture | 730 033 | 956 118 | 226 085 |
| Computer Equipment | 1 198 176 | 1 355 125 | 156 948 |
| Vehicles | 1 471 373 | 1 354 390 | -116 983 |
| Plant and Equipment | 3 872 325 | 4 513 150 | 640 825 |
| Work in Progress-Community Halls | 0 | 13 385 395 | 13 385 395 |
| Work in Progress-Sports Fields | 0 | 949 914 | 949 914 |
| Total Assets | 30 352 475 | 41 915 800 | 11 563 325 |
| Loans Redeemed Capital Receipts | -30 352 475 | -41 915 800 | -15 811 284 |

10. EXPRESSION OF APPRECIATION

I would like to thank the mayor, councillors, municipal manager, heads of departments and the staff for their support during the year.

.....  .....

B.M THUSI *(Chief Financial Officer)*  DATE

## ACCOUNTING POLICIES

### 1 BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).

1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.

1.3 The financial statements are prepared on the accrual basis as stated :

(i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.

(ii) Expenditure is accrued in the year it is incurred.

1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

### 2 FIXED ASSETS

2.1 *Fixed assets are stated :*

(i) at historical cost, or

(ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

## ACCOUNTING POLICIES

*.....continued*

*2.2 Depreciation*

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

(i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.

(ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.

*2.3* All net proceeds from the sale of fixed property are credited to the Puplic Improvement Fund. Net proceeds from the sale of all assets are credited to a CDF.

*2.4* Fixed assets are financed from different sources, including external grants, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3 INVENTORY

Inventory is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

## ACCOUNTING POLICIES

*.....continued*

4 FUNDS AND RESERVES

4.1 *Capital Development Fund*

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority for the immediately preceding financial year.

4.2 *Leave Provision*

A provision equal to the actual leave credit as at 30 June is maintained to provide for leave payments on request. Contributions are made from the operating account.

4.3 *Bad Debt Provision*

A provision equal to the anticipated risk as at 30 June is a maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days. Provision is calculated at 100% of debtors from 60 to over 90 days and 5% of current debtors.

4.4 *Working Reserves*

Some funds are reserved for the unexpected variation of working capital.

.

5 RETIREMENT BENEFITS

Hlabisa Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

No actuarial valuations have been performed. The last valuation was done on 31 March 2005.

## ACCOUNTING POLICIES

*.....continued*

6 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

7 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by regulation 6 of the Local Government: Municipal Investment Regulations of 2005.

8 INCOME RECOGNITION

8.1 *Assessment Rates*

Assessment Rates are levied on land only and at a basic rate. Rebates are granted according to the use to which a particular property is put to.

9 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year.

It may also be utilized to fund projects that the council may deem necessary to fund.

# HLABISA LOCAL MUNICIPALITY

## BALANCE SHEET AS AT 30 JUNE 2009



| | | 2009<br>R | 2008<br>R |
|---|---|---|---|
| **CAPITAL EMPLOYED** | | | |
| | NOTES | | |
| FUNDS AND RESERVES | | 10 584 291 | 12 229 953 |
| Statutory Funds | 1 | 1 720 569 | 1 599 155 |
| Reserves | 2 | 8 863 722 | 10 630 798 |
| ACCUMULATED DEFICIT | 15 | -11 688 270 | -9 365 117 |
| | | -1 103 979 | 2 864 836 |
| TRUST FUNDS | 3 | 5 102 276 | 9 508 950 |
| LONG-TERM LIABILITIES | | | |
| Consumer Deposits | 4 | 12 509 | 3 059 |
| | | 4 010 806 | 12 376 845 |
| **EMPLOYMENT OF CAPITAL** | | | |
| | | 5 107 452 | 10 081 821 |
| FIXED ASSETS | 5 | - | 0 |
| LONG TERM DEBTORS | 6 | 14 200 | 14 200 |
| INVESTMENTS | 7 | 5 093 252 | 10 067 621 |
| NET CURRENT ASSETS | | -1 096 646 | 2 295 025 |
| CURRENT ASSETS | | 1 815 522 | 6 544 848 |
| Debtors | 8 | 1 670 154 | 6 544 848 |
| Cash resources | 20 | 145 369 | - |
| CURRENT LIABILITIES | | 2 912 168 | 4 249 823 |
| Provisions | 9 | 630 106 | 482 497 |
| Trade Creditors | 10 | 1 357 288 | 1 655 923 |
| Other Creditors | 10 | - | 562 808 |
| Bank Overdraft | 20 | 924 774 | 1 548 595 |
| | | 4 010 806 | 12 376 845 |

# HLABISA LOCAL MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| 2008 Actual income R | 2008 Actual expenditure R | 2008 Surplus / (Deficit) R | 2008 Budget Surplus / (Deficit) R | | 2009 Actual income R | 2009 Actual expenditure R | 2009 Surplus / (Deficit) R | 2009 Budget Surplus / (Deficit) R |
|---|---|---|---|---|---|---|---|---|
| 31 222 755 | 33 163 467 | (1 940 712) | 1 648 712 | RATES AND GENERAL SERVICES | 45 639 241 | 45 053 919 | 585 322 | - |
| 25 776 606 | 21 784 603 | 3 992 003 | (13 018 646) | - Executive & Council | 38 707 529 | 28 165 953 | 10 541 576 | (8 011 655) |
| 2 619 043 | 5 142 950 | (2 523 907) | 6 646 383 | - Finance & Administration | 1 935 230 | 7 213 784 | (5 278 555) | 5 210 470 |
| 1 149 000 | 1 249 005 | (100 005) | 442 957 | - Planning & Development | 410 000 | 2 060 829 | (1 650 829) | 2 478 849 |
| - | 1 708 782 | (1 708 782) | 3 582 057 | - Community & Social Services | 6 351 | 3 213 763 | (3 207 412) | 1 537 291 |
| 235 923 | 1 238 536 | (1 002 613) | 2 173 013 | - Public Safety | 3 591 337 | 2 446 316 | 1 145 022 | (1 290 829) |
| 1 426 029 | 1 284 170 | 141 859 | 222 009 | - Sports & Recreation | 975 158 | 1 229 724 | (254 566) | (695 600) |
| 16 154 | 755 422 | (739 267) | 1 600 939 | - Waste Management | 13 636 | 723 550 | (709 914) | 771 474 |
| 31 222 755 | 33 163 467 | (1 940 712) | 1 648 712 | TOTAL | 45 639 241 | 45 053 919 | 585 322 | - |
| | | (2 742 189) | | Appropriations for this period (refer to note 15) | | | (2 908 475) | |
| | | (4 682 901) | | Net (deficit) / surplus for the period | | | (2 323 153) | |
| | | (4 682 216) | | Accumulated deficit beginning of the period | | | (9 365 117) | |
| | | (9 365 117) | | ACCUMULATED DEFICIT AT THE END OF THE PERIOD | | | (11 688 270) | |

(Refer to appendix D and E for more detail)

(Refer to appendix D and E for more detail)

# HLABISA LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | NOTES | 2009<br>R | 2008<br>R |
|---|---|---|---|
| CASH RETAINED FROM OPERATING ACTIVITIES | | (20 016 463) | (24 453 534) |
| Cash generated by operations | 16 | (25 080 431) | (25 307 390) |
| Finance Transactions | 14 | 1 050 717 | 1 828 161 |
| Increase in working capital | 17 | 4 013 251 | (974 305) |
| | | (20 016 463) | (24 453 534) |
| *Less: External interest paid* | 14 | - | - |
| Cash utilized by operations | | (20 016 463) | (24 453 534) |
| Contributions from Public or Government | | - | - |
| CASH UTILIZED IN INVESTING ACTIVITIES | | 15 811 284 | 10 207 695 |
| Investment in Fixed Assets | 5 | 15 811 284 | 10 207 695 |
| NET CASH FLOW | | (4 205 179) | 14 245 838 |
| CASH EFFECTS OF FINANCING ACTIVITIES | | | |
| Increase/ (Decrease) in long-term Loans External | 18 | - | - |
| (Increase)/ Decrease in Investments | 19 | 4 974 369 | 12 610 385 |
| Increase/ (Decrease) in Long Term Debtors | 6 | - | - |
| (Increase)/ Decrease in Cash On Hand | 20 | (769 189) | 1 635 452 |
| NET CASH GENERATED | | 4 205 179 | 14 245 838 |

1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|---|---|
| 1. STATUTORY FUNDS | | |
| Capital Development Fund | 1 720 569 | 1 599 155 |
| (Refer to appendix A for more detail) | | |

| | 2009 R | 2008 R |
|---|---|---|
| 2. RESERVES | | |
| Working Capital Reserves | 300 000 | 300 000 |
| Mpembeni Health Centre | 4 172 | 4 172 |
| Shikishela Creche | 8 346 | 8 346 |
| LED Projects - Internal | 33 606 | 84 506 |
| Equitable Share - Free Basic Services | 5 516 459 | 6 776 244 |
| Equitable Share - Free Basic Electricity | 3 001 140 | 3 490 287 |
| Project Development Fund- Internal 2005/2006 | 0 | -32 757 |
| (Refer to appendix A for more detail) | 8 863 722 | 10 630 798 |

| | 2009 R | 2008 R |
|---|---|---|
| 3. TRUST FUNDS | | |
| Management Support Grant | 0 | -353 774 |
| Intergrated Development Grant | 15 332 | 17 635 |
| Community Initiative Grant | 50 000 | 50 000 |
| Computer Grant | 54 | 54 |
| PMS Grant - DC27 | 90 000 | 90 000 |
| Intergrated Development Grant - DC27 | 20 896 | 44 436 |
| GIS Grant | 8 619 | 8 619 |
| Lums Grant | 114 688 | 214 688 |
| Disaster Management Grant - DOH | 1 267 785 | 3 857 000 |
| Community Gardens | 202 298 | 202 298 |
| Socio-Economic Survey | 4 676 | 4 676 |
| Housing Provision Grant | 253 759 | 253 758 |
| Library Grant | 598 857 | 598 857 |
| Municipal Development Planning Grant | 12 399 | 12 399 |
| Inter- Departmental Monitoring | 4 677 | 4 677 |
| Property Rates Grant | 33 125 | 33 125 |
| Project Consolidate | 240 446 | 240 446 |
| Anti- Corruption Strategy | 74 500 | 134 500 |
| *TOTAL C/F* | 2 992 112 | 5 413 394 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| 3. TRUST FUNDS . . . .continued | 2009 R | 2008 R |
|---|---|---|
| *TOTAL B/F* | *2 992 112* | *5 413 394* |
| FMG Grant | 0 | 1 134 553 |
| DTLGA - MFMA Grant | 1 518 | 27 649 |
| Valuation Roll | 0 | 270 000 |
| PMS Grant | 62 000 | 62 000 |
| Spatial Planning | 0 | 50 000 |
| Municipal Development Infrastructure Grant | 0 | 40 000 |
| DC27- Voter Registration Campaign Grant | 2 000 | 2 000 |
| Project Cons - Water Reticulation | 1 132 895 | 1 546 792 |
| MIG | 64 605 | -292 816 |
| MIIP | 185 318 | 185 318 |
| Public Participation | 36 858 | 47 058 |
| Internal Control | 150 000 | 150 000 |
| Zamimpilo Tourism | 0 | -83 795 |
| HR System & Procedures | 0 | -134 862 |
| Sports Grants | 0 | -510 338 |
| Project Cons- Mandozi Alternative Energy | 0 | -62 074 |
| Project Cons- Waste Dump Site | 0 | 291 643 |
| DTLGA - Community Development Workers | 9 011 | 9 011 |
| DPLG - MSIG | 0 | 411 816 |
| Mun. Development Planning Capacity | 65 301 | 65 301 |
| Mpembeni Game Lodge | 54 203 | 86 300 |
| Sinamuva Cultural Village | 346 456 | 800 000 |
| | 5 102 276 | 9 508 950 |

(Refer to appendix A for more detail)

| 4. LONG TERM LIABILITIES | 2009 R | 2008 R |
|---|---|---|
| Consumer Deposits | 12 509 | 3 059 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| 5. FIXED ASSETS | 2009 R | 2008 R |
|---|---|---|
| Fixed assets at the beginning of the year | 30 352 475 | 20 551 658 |
| Capital expenditure during the year | 15 811 284 | 10 207 695 |
| Less :Assets written off, transferred or dIsposed of during the year | 4 247 959 | -406 877 |
| TOTAL FIXED ASSETS | 41 915 800 | 30 352 476 |
| Less : Loans redeemed and other capital receipts | -41 915 800 | 30 352 476 |
| NET FIXED ASSETS | 0 | 0 |

(Refer to appendix "C" )

| 6. LONG TERM DEBTORS | 2009 R | 2008 R |
|---|---|---|
| Deposits | 14 200 | 14 200 |

| 7. INVESTMENTS | 2009 R | 2008 R |
|---|---|---|
| ABSA | 11 601 | 1 919 |
| Mercantile | 10 983 | 2 980 161 |
| FNB | 5 069 668 | 10 277 |
| Standard Bank | 1 000 | 7 075 264 |
| TOTAL INVESTMENTS | 5 093 252 | 10 067 621 |
| *Managements' valuation of unlisted investments.* | 5 093 252 | 10 067 621 |

*Regulation 6 of the LG: Municipal Investment Regulations, requires local authorities to invest funds, which are not immediately required, with prescribed institutions.*

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| 8. DEBTORS | 2009 R | 2008 R |
|---|---|---|
| Current Debtors(Consumer) | 1 311 907 | 1 279 549 |
| Other Debtors | 221 925 | 1 730 |
| Interest Accrued-investments | 11 476 | 29 773 |
| Receiver of Revenue (Value Added Tax) | 860 582 | 5 894 533 |
| | 2 405 890 | 7 205 585 |
| *Less:* Provisions for bad Debts | *735 736* | *660 737* |
| | 1 670 154 | 6 544 848 |

| *Current Debtors Age Analysis* | | | |
|---|---|---|---|
| *Current* | | 5 411 | -778 |
| *0 -30 days* | | 601 053 | 504 963 |
| *30 - 60 days* | | 28 278 | 28 871 |
| *60 days +* | | 0 | 0 |
| *90 days +* | | 677 165 | 746 493 |
| | TOTAL | 1 311 906 | 1 279 549 |

| 9. PROVISIONS | 2009 R | 2008 R |
|---|---|---|
| Leave Pay Provision | 630 106 | 482 497 |
| | 630 106 | 482 497 |

There is an error in the last year's closing balance disclosed in the financials. The correct balance as per general ledger is 434 804.37.

| 10. TRADE AND OTHER CREDITORS | 2009 R | 2008 R |
|---|---|---|
| Trade Creditors | 1 357 288 | 1 655 923 |
| Salary Suspense | 0 | -115 801 |
| Mtubatuba Municipality | 0 | 656 791 |
| Other Creditors | 0 | 21 818 |
| | 1 357 288 | 2 218 731 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| | 2009 R | 2008 R |
|---|---|---|
| **11. ASSESSMENT RATES** | | |
| Rateable Land | 92 970 | 73 337 |
| *Valuations on land are performed every five years. The basic rate was 0.0695 cents on land only.* | | |

| 12. COUNCILLORS' & SENIOR MANAGEMENT'S REMUNERATION | 2009 R | 2008 R |
|---|---|---|
| Mayor's allowance | 276 576 | 259 867 |
| Executive Committee Allowance | 1 169 389 | 1 143 895 |
| Councillors' allowance | 4 542 642 | 4 173 093 |
| Total Councillors' Remuneration | 5 988 607 | 5 576 855 |
| Municipal Manager | 632 390 | 541 771 |
| Chief Financial Officer | 556 469 | 446 427 |
| Director - Coporate Services | 591 850 | 438 186 |
| Director - Community Services | 506 009 | 457 059 |
| Total Senior Management Salaries | 2 286 718 | 1 883 443 |

| 13. AUDITORS' REMUNERATION | 2009 R | 2008 R |
|---|---|---|
| TOTAL - Paid during the year | 377 363 | 445 887 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| 14. FINANCE TRANSACTIONS | 2009 R | 2008 R |
|---|---|---|
| Total external interest earned/(paid): | | |
| Interest earned | 1 050 717 | 1 828 161 |
| *Capital Charges debited to operating account :* | | |
| Interest: External | - | - |
| Internal | - | - |
| Redemption: External | - | - |
| Internal | - | - |

| 15. APPROPRIATIONS | 2009 R | 2008 R |
|---|---|---|
| *Net Appropriation account :* | | |
| Accumulated deficit at the beginning of the period | -9 365 117 | -4 682 216 |
| Operating surplus/(deficit) for the period | -2 323 153 | -4 682 901 |
| Appropriations for the year | 585 322 | -1 940 712 |
| Prior year adjustments | -2 908 475 | -2 742 189 |
| *Accumulated deficit at the end of the period* | -11 688 270 | -9 365 117 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **16. CASH GENERATED BY OPERATIONS** | | |
| Net surplus (deficit) for the year | 585 322 | -1 940 712 |
| *Adjustment for:* | | |
| Appropriations for this period | -2 908 475 | -2 742 189 |
| Appropriations charged against income | -21 706 561 | -18 796 327 |
| Capital Development fund | 121 414 | - |
| Provisions | 157 059 | -253 296 |
| Trust Funds | -4 406 674 | -5 501 576 |
| Reserves | -1 767 076 | -2 833 760 |
| Fixed Assets | -15 811 284 | -10 207 695 |
| Investment Income | -1 050 717 | -1 828 161 |
| OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES | -25 080 431 | -25 307 389 |

| | 2009<br>R | 2008<br>R |
|---|---|---|
| **17. (INCREASE) / DECREASE IN WORKING CAPITAL** | | |
| (Increase)/decrease in stock | - | - |
| (Decrease) in debtors | 4 874 694 | 544 771 |
| (Increase)/decrease in deposits | - | - |
| (Decrease) in creditors | -861 443 | -1 519 076 |
| | 4 013 251 | -974 305 |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| 18. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL) | 2009 R | 2008 R |
|---|---|---|
| Loans Raised | - | - |
| Loans Repaid | - | - |
| | - | - |

| 19. (INCREASE)/DECREASE IN INVESTMENTS | 2009 R | 2008 R |
|---|---|---|
| Investment beginning of the year | 10 067 621 | 22 678 006 |
| Investment end of the year | 5 093 252 | 10 067 621 |
| | -4 974 369 | -12 610 385 |

| 20. (INCREASE)/ DECREASE IN CASH ON HAND | 2009 R | 2008 R |
|---|---|---|
| Cash balance beginning of the year | -1 548 595 | 86 857 |
| -Cash on hand | 1 005 | 1 005 |
| -Cash in bank- ABSA | -1 549 600 | 85 852 |
| *Less* : Cash balance at the end of the period | -779 406 | -1 548 595 |
| -Cash on hand | 987 | 1 005 |
| -Cash at Bank- ABSA | -925 761 | |
| -Cash at Bank- FNB | 145 369 | -1 549 600 |
| | 769 189 | -1 635 452 |
| BANK | -779 406 | -1 548 595 |
| Net Overdraft | -924 774 | |

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

| | 2009<br>R | 2008<br>R |
|---|---|---|
| 21. CAPITAL DEVELOPMENT FUND | | |
| *Accumulated Funds (Appendix A)* | | |
| Accumulated Funds balance at the begining of the year | 1 599 155 | 1 599 155 |
| Add: Contributions during the year | 121 414 | - |
| Less: Internal Investment to Borrowing Services (Appendix B) | - | - |
| Balance available for External Investment | 1 720 569 | 1 599 155 |

22. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

(I) Natal Joint Municipal Pension Fund (retirement)
(ii) Natal Joint Municipal Pension Fund (superannuation)
(iii) Natal Joint Municipal Pension Fund (provident)
(iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are perfomed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2005.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 .....continued

23. BANKING DETAILS

*The primary bank account referred to in Section 8 of the Municipal Finance Management Act is as follows:*

Bank : ABSA
Branch : Newcastle
Branch Code : 630 324
Account No. : 405 370 9558

| 24. CAPITAL COMMITMENTS | R |
|---|---|
| *Commitment in respect of capital expenditure:* | |
| -Approved and contracted for | 2 483 258 |
| -Approved but not yet contracted for | 5 722 545 |
| | 8 205 803 |
| This expenditure will be financed from: | |
| -Internal sources | 0 |
| -External sources | 8 205 803 |
| -Other sources | - |
| -Grants | 8 205 803 |
| | 8 205 803 |

APPENDIX : A
STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

| | Balance as at 1 July 2008 R | Contribution during the period R | Capital Expenditure during the period R | Operational Expenditure during the year R | Balance as at 30 June 2009 R |
|---|---|---|---|---|---|
| STATUTORY FUNDS | | | | | |
| Accumulated Funds | 1 599 155 | 121 414 | - | - | 1 720 569 |
| - Rates & General Services | 1 599 155 | 121 414 | - | - | 1 720 569 |
| - Water | - | - | - | - | - |
| Public Improvement Funds | - | - | - | | - |
| TOTAL | 1 599 155 | 121 414 | - | - | 1 720 569 |
| | | | | | |
| TRUST FUNDS | | | | | |
| Management Support Grant | (353 774) | - | - | (353 774) | - |
| Intergrated Development Grant | 17 635 | - | - | 2 303 | 15 332 |
| Community Initiative Grant | 50 000 | - | - | - | 50 000 |
| Computer Grant | 54 | - | - | - | 54 |
| PMS Grant - DC27 | 90 000 | - | - | - | 90 000 |
| Intergrated Development Grant - DC27 | 44 436 | - | - | 23 540 | 20 896 |
| GIS Grant | 8 619 | - | - | - | 8 619 |
| Lums Grant | 214 688 | - | - | 100 000 | 114 688 |
| Disaster Management Grant - DOH | 3 857 000 | 2 | - | 2 589 217 | 1 267 785 |
| Community Gardens | 202 298 | - | - | - | 202 298 |
| Socio-Economic Survey | 4 676 | - | - | - | 4 676 |
| Housing Provision Grant | 253 758 | - | - | - | 253 758 |
| LIBRARY GRANT | 598 857 | - | - | - | 598 857 |
| MUNICIPAL DEVELOPMENT PLANNING GRANT | 12 399 | - | - | - | 12 399 |
| INTER-DEPARTMENTAL MONITORING | 4 677 | - | - | - | 4 677 |
| PROPERTY RATES GRANT | 33 125 | - | - | - | 33 125 |
| PROJECT CONSOLIDATE | 240 446 | - | - | - | 240 446 |
| ANTI-CORRUPTION STRATEGY | 134 500 | - | - | 60 000 | 74 500 |
| FMG GRANT | 1 134 553 | - | - | 1 134 553 | - |
| DTLGA - MFMA GRANT | 27 649 | - | - | 26 130 | 1 519 |
| VALUATION ROLL | 270 000 | - | - | 270 000 | - |
| PMS GRANT | 62 000 | - | - | - | 62 000 |
| SPATIAL PLANNING | 50 000 | - | - | 50 000 | - |
| MUNICIPAL DEVELOPMENT INFR. GRANT | 40 000 | - | - | 40 000 | - |
| DC27-VOTER REGISTRATION CAMPAIGN GRANT | 2 000 | - | - | - | 2 000 |
| PROJECT CONS - WATER RETICULATION | 1 546 792 | 287 660 | - | 701 558 | 1 132 894 |
| PROJECT CONS - MANDOZI ALTERNATIVE ENERGY | (62 074) | - | - | (62 074) | - |

| *TRUST FUNDS . . . . . continued* | | | | | |
|---|---|---|---|---|---|
| PROJECT CONS - WASTE DUMP SITE | 291 642 | - | - | 291 642 | - |
| DTLGA - COMMUNITY DEVELOPMENT WORKERS | 9 011 | - | - | - | 9 011 |
| DTLGA - INFORMAL TRADING FACILITIES | - | 90 000 | - | 90 000 | - |
| DPLG - MSIG | 411 816 | - | - | 411 816 | - |
| MUNICIPAL INFRASTRUCTURE MIG | (292 816) | 13 965 336 | 13 607 916 | - | 64 604 |
| PUBLIC PARTICIPATION | 47 058 | - | - | 10 200 | 36 858 |
| MUNICIPAL INFRASTRUCTURE INVESTMENT PROGRA,MIIP | 185 318 | - | - | - | 185 318 |
| INTERNAL CONTROL UNIT | 150 000 | - | - | - | 150 000 |
| ZAMIMPILO TOURISM CENTRE | (83 795) | - | - | (83 795) | - |
| HR SYSTEMS & PROCEDURES | (134 862) | - | - | (134 862) | - |
| SPORTS GRANT | (510 338) | 1 569 701 | - | 1 059 363 | (0) |
| MPEMBENI GAME LODGE | 86 300 | - | - | 32 097 | 54 203 |
| SINAMUVA CULTURAL VILLAGE | 800 000 | - | - | 453 543 | 346 457 |
| MUN. DEV. PLANNING CAPACITY | 65 301 | - | - | - | 65 301 |
| | | - | - | - | - |
| TOTAL | 9 508 950 | 15 912 698 | 13 607 916 | 6 711 457 | 5 102 276 |
| | | | | | |
| PROVISIONS | | | | | |
| Leave | 434 804 | 440 512 | - | 245 210 | 630 106 |
| TOTAL | 434 804 | 440 512 | - | 245 210 | 630 106 |
| | | | | | |
| RESERVES | | | | | |
| Working Capital Reserves | 300 000 | - | - | - | 300 000 |
| Mpembeni Health Centre | 4 172 | - | - | - | 4 172 |
| Shikishela Creche | 8 346 | - | - | - | 8 346 |
| LED Projects - Internal | 84 506 | - | - | 50 900 | 33 606 |
| Equitable Share - Free Basic Services | 6 776 244 | 0 | - | 1 259 785 | 5 516 459 |
| Equitable Share - Free Basic Electricity | 3 490 287 | - | - | 489 148 | 3 001 139 |
| Project Development Fund-Internal | - | 253 988 | - | 253 988 | 0 |
| Project Development Fund- Internal 2006/2007 | (21 357) | 743 718 | - | 722 361 | - |
| TOTAL | 10 642 198 | 997 706 | - | 2 776 182 | 8 863 722 |

## APPENDIX B
## EXTERNAL LOANS AND INTERNAL ADVANCES

| EXTERNAL LOANS | Balance as at 1 July 2008 | Received during the period | Redeemed/ Written off during the period | Balance as at 30 June 2009 |
|---|---|---|---|---|
| | R | R | R | R |
| Annuity Loans | - | - | - | - |
| Fixed Loans | - | - | - | - |
| | - | - | - | - |

| INTERNAL ADVANCES BORROWING SERVICES | Balance as at 1 July 2008 | Received during the period | Redeemed/ Written off during the period | Balance as at 30 June 2009 |
|---|---|---|---|---|
| | R | R | R | R |
| Public Improvement Fund | - | - | - | - |
| Capital Development Fund | - | - | - | - |
| | - | - | - | - |

## APPENDIX C : ANALYSIS OF FIXED ASSETS

| Expenditure 2008 R | Service R | Budget 2009 R | Balance at 01.07.2008 R | Expenditure 2009 R | Written off transferred R | Balance at 30.06.2009 R |
|---|---|---|---|---|---|---|
| | Rates & General Services | 14 663 165 | 30 352 475 | 15 811 284 | 4 247 959 | 41 915 800 |
| | | 14 663 165 | 30 352 475 | 15 811 284 | 4 247 959 | 41 915 800 |
| | | | | | | 0 |
| 8 925 063 | Civic Buildings | 12 459 660 | 22 290 301 | 121 449 | 3 826 418 | 18 585 332 |
| 296 316 | Office Equipment | 277 000 | 790 267 | 26 109 | | 816 376 |
| 49 729 | Office Furniture | 436 000 | 730 033 | 226 085 | | 956 118 |
| 0 | Computer Equipment | 90 505 | 1 198 176 | 156 948 | | 1 355 125 |
| 3 419 | Vehicles | 0 | 1 471 373 | 304 558 | 421 541 | 1 354 390 |
| 933 169 | Plant and Equipment | 1 400 000 | 3 872 325 | 640 825 | | 4 513 150 |
| 0 | Work in Progress-Community Halls | 0 | 0 | 13 385 395 | | 13 385 395 |
| 0 | Work in Progress-Sports Fields | 0 | 0 | 949 914 | | 949 914 |
| 10 207 696 | TOTAL FIXED ASSETS | 14 663 165 | 30 352 475 | 15 811 284 | 4 247 959 | 41 915 800 |
| | LOANS REDEEMED AND OTHER | | | | | |
| *10 207 696* | CAPITAL RECEIPTS | | *-30 352 475* | *-15 811 284* | *-4 247 959* | *-41 915 800* |
| 0 | Loans redeemed | | 0 | 0 | 0 | 0 |
| 931 826 | Contributions from ex operating income | | -8 074 053 | -975 990 | -421 541 | -8 628 502 |
| 9 275 870 | Grants & Subsidies | | -21 996 522 | -14 835 294 | -3 826 418 | -33 005 398 |
| 0 | Donations- Dept of Housing | | -281 900 | 0 | 0 | -281 900 |
| 0 | NET FIXED ASSETS | | 0 | -0 | 0 | 0 |

APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE

| Actual 2008 R | | Actual 2009 R | Budget 2009 R |
|---|---|---|---|
| | *INCOME* | | |
| | Government and Provincial grants | | |
| 28 739 157 | and subsidies | 40 313 797 | 35 223 107 |
| 19 075 971 | - Equitable Share | 24 180 304 | 23 311 000 |
| 9 663 186 | - National / Provincial Government | 14 685 000 | 10 923 000 |
| - | - Public / Local Government | 1 448 493 | 989 107 |
| 221 230 | Operating Income | 218 131 | 89 727 |
| 196 419 | - General Rates | 102 157 | 54 580 |
| 8 658 | - Rates Penalties | 102 338 | 23 562 |
| 14 594 | - Refuse Removal | 13 636 | 8 512 |
| 1 560 | - Refuse Penalties | - | 3 073 |
| 434 206 | Other income | 4 056 595 | 4 402 278 |
| 855 | - Plot Clearing | - | - |
| 174 | - Hiring of Sportsfield | 158 | 600 |
| - | -Donation Received | 25 698 | - |
| 10 339 | - Market Rental | 50 273 | 13 000 |
| 22 887 | - Office Rentals | 155 751 | 136 000 |
| - | - Hiring of Community Halls | 6 351 | 12 000 |
| 1 166 | - Photocopies | 5 865 | 5 000 |
| 106 | - Telephone(Private Calls) | 192 | |
| 32 614 | - Billboards Income | 16 953 | 19 320 |
| - | - Traffic Fines | 2 917 384 | 2 768 188 |
| - | - Licences and Permits | 673 954 | 1 360 000 |
| - | - Sale of Bid Documents | - | 12 000 |
| 366 065 | - Sundry income | 204 017 | 76 170 |
| 1 828 161 | Interest earned | 1 050 717 | 888 540 |
| 31 222 755 | TOTAL INCOME | 45 639 241 | 40 603 652 |
| | *EXPENDITURE* | | |
| | OPERATING EXPENDITURE | | |
| 13 273 564 | Salaries, wages and allowances | 14 911 754 | 17 511 789 |
| 9 855 408 | General expenses | 14 860 934 | 10 534 682 |
| 181 084 | Repairs and maintenance | 472 749 | 341 300 |
| - | Capital charges | - | - |
| 351 459 | Contributions to fixed assets | 756 444 | 11 494 920 |
| 9 501 952 | Contributions to funds | 14 052 039 | 720 961 |
| 33 163 467 | Gross operating expenditure | 45 053 919 | 40 603 652 |
| - | Less : Amounts recharged | - | - |
| 33 163 467 | Net operating expenditure | 45 053 919 | 40 603 652 |
| (1 940 712) | SURPLUS / (DEFICIT) | 585 322 | - |